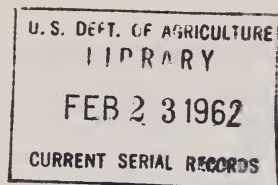


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JANUARY 1962
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JAN. 25, A. M.

DPS-85

THE DEMAND AND PRICE SITUATION

COMMODITY HIGHLIGHTS

GENERAL AGRICULTURAL SITUATION

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

FOREIGN DEVELOPMENTS

CURRENT COMMODITY SITUATION

Published monthly by
**ECONOMIC RESEARCH
SERVICE**

**U.S. DEPARTMENT OF
AGRICULTURE**

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1960		1961			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	103	111	113	114	115
Final products	do.	111	108	113	115	117	118
Consumer goods	do.	114	112	116	119	121	122
Autos	do.	117	97	82	102	117	128
Equipment, including defense	do.	103	101	106	108	110	111
Materials	do.	106	99	109	111	111	112
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	55,556	56,650	58,910	58,905	61,180	59,953
Public construction	Mil. dol.	15,953	17,011	17,201	17,138	19,008	17,257
Private residential	Mil. dol.	22,546	21,916	23,782	24,026	24,625	25,191
Housing starts, private only	Thousands	1,252	996	1,383	1,434	1,342	1,306
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,410	29,140	31,410	31,790	32,230	
Durable goods	Mil. dol.	14,680	13,692	14,980	15,290	15,660	
Unfilled orders-sales ratio <u>4/</u>		2.92	3.15	2.96	2.91	2.85	
Inventory-sales ratio, total <u>5/</u>		1.77	1.84	1.73	1.72	1.71	
Durable goods		2.10	2.27	2.08	2.05	2.02	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.7	66.0	67.0	67.8	67.3	66.5
Nonagricultural	do.	61.0	61.1	61.4	61.9	62.1	62.0
Unemployment	do.	3.9	4.5	4.1	3.9	4.0	4.1
Workweek in manufacturing	Hours	39.7	38.5	39.6	40.2	40.6	40.5
Hourly earnings in manufacturing	Dollars	2.26	2.29	2.33	2.34	2.36	2.37
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	402.2	404.0	421.1	425.0	429.3	431.3
Consumer credit outstanding <u>1/</u>	Mil. dol.	55,757	55,757	54,757	54,902	55,451	
Automobile	Mil. dol.	17,444	17,444	16,902	16,913	16,960	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,294	17,887	18,141	18,622	19,168	19,002
Durable goods	Mil. dol.	5,894	5,488	5,620	5,900	6,244	5,972
Inventory-sales ratio <u>5/</u>		1.49	1.52	1.45	1.42	1.40	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	120	120	119	119	119	119
Commodities other than farm and food	do.	128	128	128	127	128	128
Farm products	do.	89	89	87	87	88	88
Foods processed	do.	108	109	108	108	108	109
Consumer price index, all items	do.	126	128	128	128	128	
Food	do.	120	121	121	121	120	
Prices received by farmers <u>7/</u>	1910-14=100	238	242	242	240	238	240
Crops	do.	221	217	229	226	223	224
Livestock and products	do.	253	263	252	252	250	255
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	298	301	301	301	302
Family living items	do.	290	291	291	291	291	292
Production items	do.	265	265	266	265	265	267
Parity ratio <u>7/</u>		80	81	80	80	79	79
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	133	146	151	198	176	145
Cash receipts from farm marketings	Mil. dol.	34,014	3,221	3,320	4,290	3,783	3,200

Annual data for most of the items for years 1929, 1941 and 1947-60 appears on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, January 18, 1962

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SUMMARY

Larger cash receipts from marketings of farm products and an increase in Government payments to farmers added \$1.5 billion in 1961 to realized gross farm income. The rise in gross returns, however, was partially offset by a \$500 million increase in production expenses. As a result, realized net income of farm operators totaled \$12.7 billion in 1961, a billion dollars more than in the year earlier.

A slightly higher average level of farm product prices and a larger volume of farm marketings contributed to the advance in cash receipts. The largest gain in cash receipts was registered for soybeans, followed by receipts for hogs. Both commodities sold for higher average prices in 1961 than in 1960. Marketings of soybeans were more than a tenth larger than the year earlier while hog marketings were about the same. Cash receipts for cotton lint and seed, cattle and calves, and oranges also exceeded their 1960 values.

The nation's total output of goods and services at year-end continued the upward trend from the recession low in February 1961. A general build-up in inventories with rising business sales led to an advance in output and increased the flow of income to consumers. Industrial production increased about 13 percent from the February low to the end of 1961. Business sales, after lagging in the early stages of the recovery, rose at a quickening pace in October and November due particularly to a strong advance in sales at the retail level. Despite the force of the recovery, total employment, seasonally adjusted, increased only about 1 percent from January to December. The rate of unemployment, after holding at around 6.8 percent of the labor force throughout most of 1961, dropped to 6.1 percent in November and December.

COMMODITY HIGHLIGHTS

Hog slaughter in the first quarter of 1962 is expected to exceed year-earlier levels, reflecting the 4 percent larger fall pig crop in 1961 than in 1960. The 1962-spring pig crop is likely to increase only a little over the 1961 crop, based on December 1 farrowing intentions. Prices in the last half of this year may not average greatly different from 1961 prices.

Slaughter lamb prices are expected to increase somewhat during the remainder of this winter as slaughter will be appreciably below the comparable period last year.

Cattle prices in the first quarter of 1962 are expected to hold steady from the levels of mid-January, reflecting stable supplies of fed cattle.

Prices received by farmers for all wholesale milk in the first quarter of 1962 will probably average slightly below the same period in 1961 due to a narrowing in the price differential between manufacturing milk and milk eligible for fluid use. They averaged about 10 cents per hundred pounds lower in the last quarter of 1961 than in 1960. USDA price support purchases may reach record highs in 1962 because of increasing production and lagging consumption.

Broiler prices advanced rapidly between November and December. In early January prices in Southern producing areas were nearly the same as the year earlier. Recent levels of hatchery output and egg settings indicate broiler marketings in the first quarter of 1962 about the same as in 1961.

Egg prices in early January were below a year ago, but by a smaller margin than in the 3 preceding months. Prices in the first quarter of this year will probably hold under year-earlier levels as output will be larger.

There is little likelihood of any major world wool price movements in 1962. World prices in the first half of 1962, however, may increase moderately due to a prospective small increase in mill use and a low stock position.

Cash wheat prices in early January were near the highs for the 1961-62 season, reflecting a high level of exports and a tight holding policy by farmers. The amount of 1961-crop wheat under support at the end of December was the smallest for that date since 1957.

Local market prices for feed grains averaged 8 percent higher in October-December, 1961, than in the same quarter of 1960. High-protein feed prices were up 12 percent. Price supports for 1962 feed grain crops were announced in early January at the same levels as in 1961.

Supplies of food fats and oils in the 1961-62 marketing year, which began last October, are estimated at about 14 percent larger than in the year earlier. Although domestic disappearance and exports are expected to increase to new highs, a sharp increase in carryover is in prospect. Price supports for 1962 oilseed crops were announced in early January. Cottonseed and soybean supports are slightly below 1961 levels; peanuts are unchanged; and flaxseed are slightly higher.

Despite severe freeze damage in some citrus fruit areas, supplies of oranges and lemons remaining to be marketed after mid-January 1962 were larger than a year earlier. But supplies of Texas citrus for fresh market for the remainder of the season will be negligible.

The severe freeze in early January also damaged fresh market vegetables in Florida and Texas, further reducing production below last winter. Supplies of canned vegetables, however, are larger than a year ago and frozen vegetable supplies are record large. Heavy supplies of potatoes are expected to keep prices low. January 1 stocks were 15 percent larger than a year earlier.

The minimum national average support price for 1962-crop upland cotton has been set at 31.88 cents per pound, the same as for the 1961-crop. The support price for extra-long staple cotton also was set at last year's level.

Auction prices through mid-January for 1961-crop burley tobacco averaged 2.3 cents above last season's average and the highest on record. Deliveries for Government loans were about $1\frac{1}{2}$ percent of gross sales.

GENERAL AGRICULTURAL SITUATION

As a result of a strong fourth quarter, realized net income of farm operators totaled \$12.7 billion in 1961, a billion dollars more than in 1960 and the highest level since 1953. Cash receipts from the marketing of farm

products in 1961 exceeded the 1960 total by about \$3/4 billion and Government payments to farmers were up a like amount. But partially offsetting the rise in gross returns was an increase of \$500 million in production expenses.

The 2.4 percent advance in cash receipts during 1961 reflected both a higher average level of farm product prices and a larger volume of marketings. Prices received by farmers were up a little less than 1 percent and the volume of marketings was up a little more than 1 percent. For crops, prices received were up about 2 percent and marketings were down slightly. For livestock and products, the volume of marketings was up around 3 percent, but prices received were down nearly 1 percent.

The increase of \$500 million in farm production expenses during 1961 raised expenditures to a peak total of \$26.9 billion. About half of the increase was due to higher prices for production items, interest, taxes, and wage rates. The remainder of the increase resulted from more intensive production and the use of more goods and services from nonfarm sources. Although the increase in production expenses during 1961 exceeded the slight rise during 1960 from 1959, it was smaller than the gains in other recent years. Among major production items, feed, fertilizer, and farm machinery prices advanced while feeder livestock and seed prices declined somewhat. Farm wage rates rose $1\frac{1}{2}$ percent over the year and interest charges and property taxes increased 7 and 8 percent, respectively.

Farm Product Price Movements, 1961

Sparked by a rise to \$3.02 per bushel for soybeans in mid-April from \$2.23 in mid-January, prices received by farmers for oil-bearing crops averaged 20 percent higher in 1961 than in 1960. While soybean prices declined steadily from the spring peak, prices at local markets remained substantially higher. During the fourth quarter of 1961, local market prices for soybeans averaged \$2.26 per bushel, 30 cents more than in the same period of 1960. A higher support rate, and a steady domestic and expanding foreign demand contributed to the price strength for soybeans.

Prices received by farmers for food grains averaged 3 percent higher in 1961 than in 1960. Local market prices for wheat averaged below the 1960 level through June, but prices rose steadily throughout the remainder of the year. The 1961 average price of \$1.80 per bushel is 2.3 percent higher than the 1960 average price. The firming in wheat prices after mid-year reflected an unusually strong export demand and a tight holding policy by farmers in anticipation of higher prices. The national average support price for 1962-crop wheat is \$2.00 per bushel compared with \$1.79 for 1961-crop wheat.

Table 1.--Agricultural prices, marketings and income,
selected years, 1946 to date

Item	Unit	1946	1948	1950	1952	1954	1956	1958	1959	1960	1961p
Prices received by farmers											
Crops	1910-14=100	236	287	258	288	246	230	250	240	238	240
Livestock	1910-14=100	228	255	233	267	242	235	223	221	221	226
	1910-14=100	242	315	280	306	249	226	273	256	253	251
Prices paid, interest, taxes and wage rates											
Family living items	1910-14=100	208	260	256	287	277	278	293	297	299	301
Production items	1910-14=100	202	251	246	271	270	274	287	288	290	291
Parity ratio	1910-14=100	191	250	246	274	255	250	264	266	265	266
		113	110	101	100	89	83	85	81	80	80
Volume of farm marketings											
Crops	1947-49=100	96	97	100	106	112	121	124	129	133	134
Livestock	1947-49=100	86	98	96	101	105	111	121	124	130	129
	1947-49=100	103	96	104	109	117	128	126	133	134	139
Cash receipts from farm marketings											
Crops	Bil. dol.	24.8	30.2	28.5	32.6	30.0	30.6	33.4	33.4	34.0	34.8
Livestock	Bil. dol.	11.0	13.1	12.4	14.4	13.7	14.3	14.2	14.6	15.1	15.5
	Bil. dol.	13.8	17.1	16.1	18.3	16.3	16.3	19.2	18.9	18.9	19.2
Farmers' realized net income	Bil. dol.	15.2	16.1	13.2	14.4	12.2	12.0	12.6	11.2	11.7	12.7

p. Preliminary.

The index of feed grain prices rose slightly during 1961 with higher average prices for barley and sorghums somewhat more than offsetting declines in average corn and oat prices. Corn prices from January through September 1961 averaged 3 percent lower than in the corresponding span a year earlier as the record 1960 crop was marketed. A 7 percent reduction in the 1961 corn crop due to acreage diversion under the Feed Grain Program, a 16 percent decrease in corn receipts at primary markets and an increase in the support level from \$1.06 per bushel to \$1.20 strengthened prices during the last quarter of 1961. Local market price for corn from mid-October to mid-December 1961 averaged 97 cents per bushel compared with 92 cents a year before.

Price indexes of tobacco, fruits, and cotton also recorded higher averages in 1961 than in 1960 but commercial vegetables and potatoes were lower. Prices received by farmers for potatoes trended downward steadily from early 1960 as heavy supplies inundated the market. Although more than 12.3 million hundredweight of 1961-crop potatoes were diverted into starch, flour, and live-stock feed through December 1961 under a USDA program, prices to growers in the fourth quarter of 1961 averaged more than a third lower than the year earlier.

Prices received by farmers for meat animals averaged 1 percent higher in 1961 than in 1960 with beef cattle prices lower and hog prices higher than the previous year. Beef cattle prices from mid-February through mid-July were below 1960 levels as a 4 percent larger commercial cattle slaughter during this period was accompanied by heavier average dressed weights. From mid-August through mid-December, average prices received by farmers ranged from 30 cents to \$1.10 per hundred pounds above year-earlier levels, reflecting little change in commercial slaughter of cattle and an improvement in prices for feeder cattle and calves relative to a year ago. Hog slaughter through September 1961 was about $4\frac{1}{2}$ percent smaller than in 1960, and prices throughout most of that period were higher. Subsequently, marketings of the 7 percent larger 1961-spring pig crop pushed prices received by farmers for hogs 3 percent below year-ago levels in the last 3 months of 1961.

Average prices for dairy products in 1961 were unchanged from 1960. Prices received by farmers for wholesale milk were at or above year-earlier levels through mid-August, mainly reflecting the strong demand for milk for cheese making and the increase in the support rate in March 1961. Prices in the remaining months of 1961 fell below the corresponding 1960 period as a result of utilizing a larger proportion of the record 1961 production in the lower-valued manufactured milk products. No special price strengthening factors occurred in the fall of 1961.

Prices received by farmers for poultry and eggs declined almost 9 percent during 1961 compared with 1960. Record large marketings of broilers and turkeys depressed prices for those commodities. Broiler prices averaged $16\frac{1}{2}$ percent lower than during 1960 as the number of birds produced exceeded the year-ago total by almost 10 percent. The 1961-turkey crop numbered 26 percent more head than in the previous year and prices fell almost 20 percent. For the year as a whole, egg prices averaged close to the level of 1960, but prices from mid-September on fell sharply below year-earlier marks as monthly output exceeded that of 1960 from August onward.

FARM PRODUCT PRICES ROSE SLIGHTLY IN 1961

Percentage Change 1960-1961

OIL BEARING
CROPS

TOBACCO

FRUIT

FOOD
GRAINS

COTTON

MEAT
ANIMALS

ALL FARM
PRODUCTS

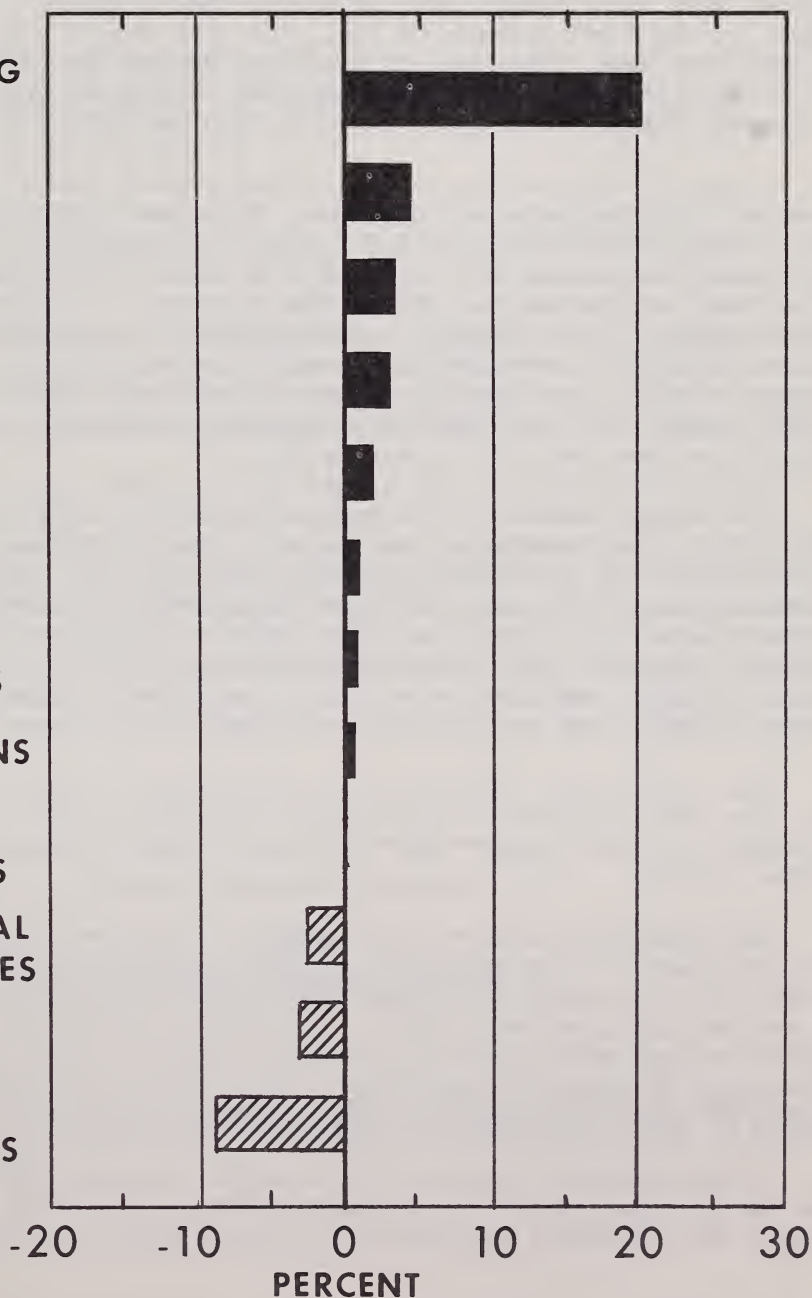
FEED GRAINS

DAIRY
PRODUCTS

COMMERCIAL
VEGETABLES

WOOL

POULTRY
AND EGGS



FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Economic activity at year-end continued to trend upward from the 1960-61 recession low. Although the fourth quarter level of the gross national product had not been announced by the time this report was prepared, the generally expected mark is an annual rate of around \$540 billion. The gross national product in the first quarter of 1961, the most recent business cycle trough, was \$500.8 billion. The gain of 8 percent during the first to fourth quarter period, after allowance for usual seasonal variation, approximates the rate of recovery for the same span after the 1954 and 1958 business cycle troughs.

A major factor in the initial recovery phase was a shift from business inventory liquidation to accumulation. From the first to second quarter of 1961 a turnaround occurred of \$6.8 billion in business inventories. Inventories were accumulated at a rate of \$4.5 billion in the third quarter, which was probably maintained during the final quarter. For the two months of October-November inventories of manufacturing and trade firms increased \$800 million, about the same monthly average increase as the rise in the third quarter of 1961. The steady build-up of inventories after the first quarter of 1961 brought the book value of business inventories by the end of November to about the same level as a year earlier.

The strong advance in business sales during October and November and the outlook for their continuing rise augurs a larger business inventory build-up in early 1962 than the estimated fourth quarter rate. The most recent survey of manufacturers' inventory and sales expectations reported an anticipated inventory expansion during the first quarter of 1962 of \$1 billion, seasonally adjusted, compared with the estimated advance of \$0.8 billion during the last quarter of 1961. Manufacturers' stocks were about unchanged in the second quarter of 1961, and rose \$1 billion in the third quarter.

The survey also reported that manufacturers' projected sales in early 1962 were about $1\frac{1}{2}$ percent higher than the total in the fourth quarter of 1961 and about 4 percent higher than the actual value of shipments during the third quarter of 1961.

The expected increase in investment in business inventories coupled with industry plans to step-up spending for new plant and equipment in the first quarter of 1962 suggests a strong demand from the private investment sector of the economy for investment funds. In addition, demand for consumer credit has risen in recent months and the Treasury in 1962 is faced with a near-record refinancing of maturing securities. As a result of these pressures, a further firming of money rates appears likely as 1962 progresses.

As the economic expansion got underway in early 1961, the demand for funds rose sharply, due mostly to increased credit requirements on the part of the consumer and corporate nonfinancial business sectors of the economy. Commer-

cial bank loans and discounts rose \$3.7 billion from July through November of 1961 compared with increases of \$0.6 billion in the first half of the year and \$2.8 billion in the last half of 1960. Total short-and intermediate-term consumer credit outstanding increased \$19 million in the first half of 1961, after seasonal adjustment. A rise in noninstallment credit outstanding slightly more than offset the net repayment of installment debt, principally automobile paper, during this period. From July through November, total consumer credit outstanding rose about \$3/4 billion. Automobile credit expanded in October and November after nine months of decline, reflecting the high auto sales rate for 1962 model cars.

The Federal Reserve System followed a policy of credit ease and increased bank reserves in the latter part of 1961, principally by purchasing U. S. Government securities. As a result, free reserves of member banks did not show much change over this period.

But, with expanding business loan activity, there has been some tightening in money market rates in recent months. The rate on 3-month Treasury bills increased since September 1961, from an average of 2.30 percent to an average of 2.62 percent in December. Long-term rates also rose as the year-end approached and the Federal Reserve Board's action raising interest rate ceilings for commercial banks may put pressure on lending rates. In addition to the expected business demand for funds as economic activity expands, the U. S. Treasury in 1962 must refinance a near-record \$56 billion of marketable debt.

These demand factors, while indicating a tighter money market later this year, still leave room for a continuing expansion in business activity. A rough sequential process of monetary movements in an expansionary period shows a rise in demand for business loans followed by a decline in free reserves as funds tighten. This movement raises short-term interest rates, particularly, and eventually an upward adjustment is made in the discount rate. Short-term interest rates (as measured by 3-month Treasury bill yields) are still below the Federal Reserve Board's discount rate and member bank borrowings had not reached the levels of the last two business expansions at this stage of the cycle.

CURRENT COMMODITY SITUATION

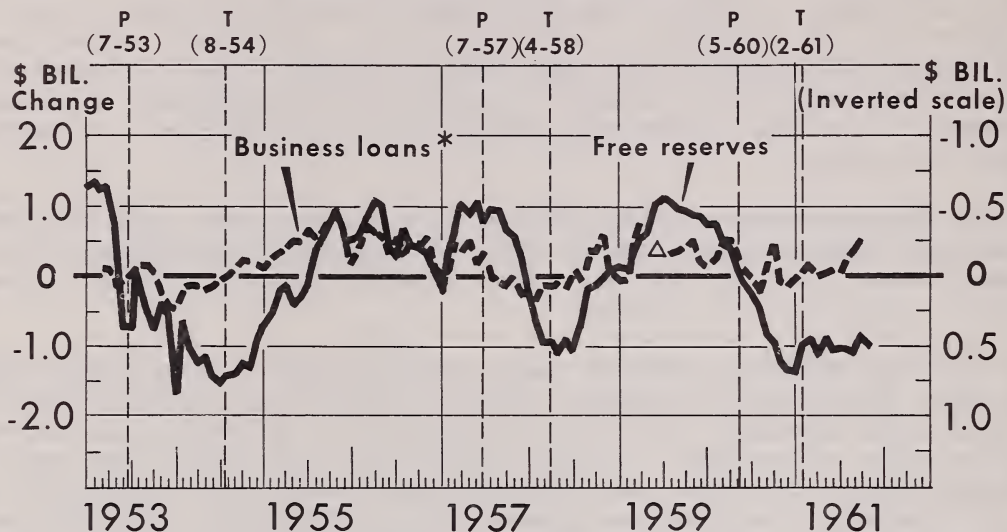
LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

The average price paid for slaughter barrows and gilts at 8 markets rose from the fall low of \$15.86 per hundredweight in the last week of November

BUSINESS LOANS AND BANK RESERVES

Monthly, 1953 to Date



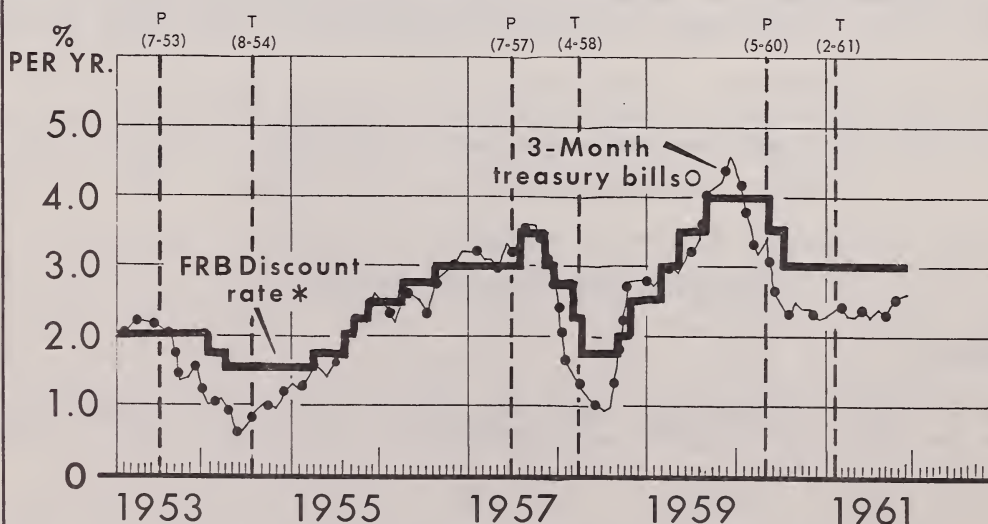
SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
 * MONTHLY CHANGES SMOOTHED BY 3-MONTH MOVING AVERAGE.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 801-62 (1) ECONOMIC RESEARCH SERVICE

SHORT-TERM INTEREST RATES

Monthly, 1953 to Date



SOURCE: U. S. TREASURY AND BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
 * FEDERAL RESERVE BANK OF NEW YORK.
 ○ RATE ON NEW ISSUES WITHIN PERIOD.
 DECEMBER 1961 PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 800-62 (1) ECONOMIC RESEARCH SERVICE

Table 2.--Federal Reserve Member Bank Reserves, Reserve Bank Credit, and Related Items, specified periods, 1958-1961 ^{1/}

Item	Change									
	Dec. 1958	Dec. 1959	Dec. 1960	Nov. 1961	Dec. 1958-: June 1959	Dec. 1959-: June 1960	Dec. 1960-: June 1961	Dec. 1960-: June 1961	Dec. 1961-: June 1961	Million dollars
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Factors accounting for supply of reserves:										
Monetary gold stock	20,563	19,482	17,954	17,180	-533	-139	-1,389	-479	-295	
Federal Reserve credit outstanding ^{2/}	28,412	29,435	29,060	30,142	-475	-1,498	1,323	-756	1,838	
U. S. Government securities	26,312	27,036	27,248	28,616	-349	1,073	1,124	-313	1,681	
Discounts and advances	564	911	94	107	374	-27	-331	-28	41	
Treasury currency outstanding	5,230	5,311	5,396	5,585	48	33	43	36	153	
Total ^{3/}	54,205	54,228	52,410	52,907	-960	983	-23	-1,199	1,696	
Factors accounting for use of reserves:										
Currency in circulation	32,371	32,775	33,019	33,256	-558	-849	1,093	-773	1,010	
Treasury cash holdings	691	396	408	414	-59	18	-6	3	3	
Nonmember bank, foreign and other accounts at Federal Reserve	2,243	2,428	2,296	2,053	107	-336	204	-288	45	
Total ^{3/}	35,305	35,599	35,723	35,723	-510	-1,167	1,291	-1,058	1,058	
Member bank reserve balances ^{4/}	18,899	18,628	16,688	17,183	-448	-627	-1,313	-141	636	
Excess reserves	516	482	769	614	-108	-16	303	-157	2	
Free reserves	-41	-424	682	509	-472	465	641	-133	-40	
Total ^{3/}	54,205	54,228	52,410	52,907	-960	-1,199	-23	-1,199	1,696	
Commercial bank loans and investments ^{5/}	185,165	190,270	199,509	211,250	755	-1,370	10,609	2,811	9,402	
Loans and discounts	98,214	110,832	117,642	121,670	6,236	4,008	2,802	558	3,717	
U. S. Securities	66,376	58,937	61,003	66,210	-5,516	-4,727	6,793	947	4,386	

P. Preliminary.

^{1/} Average of daily figures, except commercial bank loans and investments which are end of period.^{2/} Includes Federal Reserve Bank "float" and other sources of credit.^{3/} Adjusted for rounding.^{4/} With Federal Reserve Banks, excludes reserves allowable in cash.^{5/} Includes other securities.

Board of Governors of the Federal Reserve System.

to \$17.33 by mid-January. This price recovery was due mainly to seasonally lower hog slaughter in December and early January. The mid-January average price for slaughter barrows and gilts was 25 cents per 100 pounds above a year earlier.

Hog slaughter in the first quarter of 1962 is expected to exceed year-earlier levels due to a 4 percent larger fall pig crop in 1961 than in 1960. The distribution of farrowings by months in the 1961-fall pig crop along with a larger carryover of pigs from the 1961-spring pig crop indicate a less than usual amount of variation in hog slaughter and prices the remainder of this winter. Relatively stable hog prices are in prospect with prices in March likely to be near last year's average of \$17.50.

Farmers reported intentions, as of December 1, to have 3 percent more sows farrow spring pigs this year than in 1961. A relatively greater increase was planned for early farrowings--December-February. Most of the gain in farrowings will occur in the Corn Belt and South Atlantic States. This small increase in the spring pig crop likely will result in prices in the last half of 1962 not greatly different from 1961 prices.

The number of cattle and calves on feed in 26 major feeding States January 1 totaled 7,833,000 head--up 2.0 percent from the 7,645,000 on feed in these same 26 States last January. According to reported marketing intentions, 3.3 million head of the January 1 inventory on feed will be marketed in the first quarter. The January 1 inventory also included an additional 454,000 head of cattle and calves on feed in 13 other States.

If reported marketing intentions are carried out, the supply of fed beef in the first quarter of 1962 will be about 4 percent above the first quarter a year ago but about equal to supplies in the October-December quarter just completed. This prospect of stable supplies of fed beef through the first quarter of 1962, indicates steady prices for Good and Choice slaughter steers and heifers through the first quarter of 1962. Beef will encounter slightly less competition from poultry and pork in the next two months which will add to price stability.

A total of 4,165,000 head of sheep and lambs were reported on feed this January 1. This is a decrease of 6 percent from the 4,411,000 head on feed January 1, 1961. Commercial lamb and yearling slaughter for the first quarter of 1962 is expected to be about 12 percent below slaughter during the comparable period last year. Sheep and lamb slaughter the first half of 1961 included a larger number of ewe lambs from the stock sheep inventory. A similar liquidation of ewe lambs is not expected this year.

The mid-January average price for Choice woolled slaughter lambs at Chicago was \$17.00, 20 cents per 100 pounds under the corresponding price a year earlier. Slaughter lamb prices were relatively stable during the entire first quarter last year, and averaged \$17.54 in March. Prices are expected to increase the

remainder of this winter and exceed last year's prices. Because of an elastic demand for lamb, prices this winter are not expected to rise by the 12 percent by which slaughter will fall below year earlier levels.

Dairy Products

Prices for all wholesale milk were about 10 cents per hundred pounds lower in the last quarter of 1961 than a year earlier. In the first quarter of 1962, they will probably continue to average slightly below the same period in 1961. Prices for manufacturing milk will be at about the support level of \$3.40, averaging slightly above a year earlier. Prices of milk eligible for fluid use will move downward, reflecting seasonal production increases. These price changes are narrowing the price differential between manufacturing milk and milk eligible for fluid use. By April 1, support levels will be announced for the coming year.

Milk production in December increased 2.6 percent over December 1960. Total output for 1961 is estimated at 124.9 billion pounds, slightly above the record reached in 1956.

Beginning commercial stocks of all dairy products for 1962 (excluding nonfat dry milk) are expected to be over 5 billion pounds milk equivalent. This is a record and well above the previous high of 4.8 billion pounds in 1942 and the 1947-49 average of 3.0 billion pounds. Commercial inventories included 45 million pounds of butter and 420 million pounds of cheese. Uncommitted Government holdings were: Butter, 150.0 million pounds; cheese, 54.0 million pounds; and nonfat dry milk, 186.1 million pounds.

USDA purchases of dairy products under the price support program may reach record highs in 1962 because of increasing production and lagging consumption. In calendar year 1961, the Commodity Credit Corporation took delivery on 330 million pounds of butter, an amount second only to the record reached in 1953; 100 million pounds of American cheese, and a record of 1,097 million pounds of nonfat dry milk.

Poultry and Eggs

A rapid price advance between November and December restored broiler prices close to year-earlier levels. This recovery followed 6 months of extremely depressed prices and probably represented a somewhat delayed response to a sharp reduction in broiler production back to year-earlier levels. Broiler growers received an average of 15.1 cents per pound for broilers in December compared with 15.5 cents a year earlier and 12.2 cents in November. Broiler prices have been on a plateau since mid-December and on January 15 were generally about 15 cents per pound in Southern producing areas, about 1 cent less than on the corresponding date in 1961.

Broiler growers reacted to declining broiler prices in 1961 by withholding their birds from the market. This was particularly noticeable between March and August, when birds were sold at much heavier weights than in the same period of 1960. In recent months, however, the average liveweight dropped back closer to the year-earlier level. Supplies of broilers coming to market in the first quarter of 1962 are likely to be about the same as in the first quarter of 1961.

In mid-January egg prices continued below a year ago, but by a smaller margin than in the 3 preceding months. A larger output of eggs than a year earlier will probably hold egg prices significantly under the 1961 level in the first quarter. On January 15, Iowa farmers received 27-28 cents per dozen for eggs compared with 27-29 cents a year earlier and 26-28 cents a month earlier.

Currently the nation's laying flock is about the same size as a year ago. However, present increases in the out-of-season hatch will result in a significantly larger laying flock in the second quarter.

Federally inspected turkey slaughter in 1961 was 33 percent greater than in 1960. With prices at record-lows, consumers purchased substantially more turkeys than in 1960. But part of the larger production swelled cold storage holdings to the largest stocks ever accumulated. At the beginning of the year holdings totaled 266 million pounds, 106 million pounds more than a year ago. This represented almost $1\frac{1}{2}$ pounds per capita, close to one-fourth of the 6.3 pounds of turkey meat consumed per person in 1960.

After the low prices of 1961, turkey producers are likely to cut back production in 1962. In October, producers revealed plans to keep the same number of breeder hens of the heavy breeds, but fewer of the light breeds. Farmers' January 1 intentions indicated heavy breeds down 11 percent and light breeds down 19 percent. Turkey hatchery activity has been severely reduced since August, resulting in about 3 million less out-of-season poults being hatched in the last 4 months of 1961 than a year ago. Declines from a year earlier will probably continue into the main hatching season.

Wool

During the first half of the 1961-62 marketing season (August-July), world wool prices remained stable to moderately up whenever all major consuming countries were active in the markets. However, when one or more of these countries became less active, world wool prices weakened. For example, prices dropped slightly last fall when Japan and the United Kingdom reduced buying because of balance of payment difficulties. Prices weakened more recently when the East European countries and Red China reduced their buying. Under these circumstances there is little likelihood of any major price movements in 1962 although world prices are expected to increase moderately during the early part of the second half of the 1961-62 marketing season, reflecting an anticipated small increase in mill use and a low stock position.

Domestic prices in turn can also be expected to advance slightly as the 1962 clip comes into the market. The mid-December average price received by U. S. growers for shorn wool was 40.8 cents per pound, grease basis, 1.5 cents

more than a year earlier. This price can be expected to increase moderately through late spring or early summer before leveling off.

Domestic wool consumption, including the wool equivalent of the foreign trade balance of wool textile products, probably totaled about 525 million pounds in 1961, down slightly from the 535 million pounds of 1960. This lower domestic use of wool was due to lower mill use of carpet wool and less imports of apparel wool textile products. The slightly higher domestic use of apparel wool in 1961 was attributed to the greater mill use of apparel wool. This more than offset the decrease in the imports of textile products. Exports of apparel wool products remained about the same. Domestic use of carpet wool declined substantially due to a significant decrease in mill use of carpet wool. Imports and exports of rugs and carpeting were at about the same level. Both mill use of wool and foreign trade in apparel and carpet wool textile products can be expected to increase moderately in 1962.

Imports of raw wool into the U. S. for consumption increased in 1961 from 1960, reflecting the increased mill use of raw wool during the second half of 1961. Imports of dutiable wool during the first 10 months of 1961 amounted to 81.5 million pounds, clean content, 20 percent more than the same period of 1960. Imports of duty-free wool totaled 149.6 million pounds, clean content, during the first 11 months of 1961, 3 percent greater than 1960.

CROPS

Wheat

Through December 31, growers had placed 247 million bushels of 1961-crop wheat under price support compared with 372 million a year earlier. In addition, farmers had repaid price support loans on 51 million bushels of 1961-crop wheat, leaving about 196 million under support at the end of December. This is the smallest quantity of any year's crop still under support at the end of December since 1957.

Cash wheat prices on January 18 were down from the high levels of early December, but prices of dominant classes and grades were still near or above the effective support rate. The strength in prices this year is attributed to the high level of exports and the tight holding policy of farmers. Farmers have been reluctant to sell, anticipating higher prices for wheat as a result of the increased price support rate and the acreage retirement program in effect for the 1962 crop.

On January 18, the price of No. 2 Hard Red Winter, ordinary protein, at Kansas City was \$2.04, 1 cent below the effective support price; No. 1 Dark Northern Spring at Minneapolis was \$2.36, 23 cents above; No. 2 Soft Red Winter at St. Louis was \$2.06, 1 cent above; and No. 1 Soft White at Portland was \$2.05, 9 cents above. In mid-January last year, the market prices of the hard wheats were slightly below the effective support while the soft wheats were higher relative to support than at present.

Domestic disappearance of wheat in 1961-62 is estimated at about 590 million bushels, while exports are estimated at 675 million. With total supplies estimated at 2,655 million bushels, about 1,390 million bushels would be carried over on July 1, 1962, compared with 1,412 million bushels a year earlier.

Feed Grains

So far during the 1961-62 feeding year, feed prices have been more stable and have averaged above the early 1960-61 level. Prices received by farmers for feed grains averaged 8 percent higher in October-December, 1961 than in the same quarter of 1960 and high-protein feed prices were up 12 percent. Feed grain prices rose slightly from November to December after the seasonal decline of about 5 percent from October to November. Last year feed grain prices dropped about 10 percent from October to November reaching the lowest level of the postwar period, then advanced 13 percent from November to March. Feed prices continue below average in relation to prices of hogs, beef cattle, and dairy products, but are substantially above average in relation to prices of poultry and eggs. The egg-feed price ratio is below the level of a year earlier and a little below the 10-year average, while the broiler-feed and turkey-feed price ratios continue substantially below average.

The mid-December average price received by farmers for corn was 95 cents per bushel, 4 cents a bushel higher than a year earlier. Prices of oats, barley and sorghum grain were each well above the late 1960 level, reflecting the higher price supports and also the short oat and barley crops in the Northern Plains. Prices of corn and sorghum grain remain substantially below the 1961 support, but oat and barley prices have been above the support level during most of the current marketing year.

Price supports for 1962 feed grain crops were announced by the Department of Agriculture on January 9 at the same levels as in 1961. The national average supports, which will be available to farmers participating in the Government Feed Grain Program, are as follows: Corn, \$1.20 per bushel; sorghum grain, \$1.93 per cwt.; oats, 62 cents per bushel; and barley, 93 cents per bushel.

Receipts of corn at primary markets totaled 115 million bushels during October-December, which was 16 percent less than in the same period of 1960. The smaller receipts this year are due in part to the smaller crop, and to excessive rainfall at harvest time over fairly wide areas of the Corn Belt, which has delayed harvesting and marketing. There also appears to be a reluctance on the part of farmers to market 1961 corn. While total market receipts have been down, CCC continues to sell substantial quantities of corn and sorghum grain against the certificates issued under the 1961 Feed Grain Program. During December CCC sold about 165 million bushels of corn and 14 million bushels of sorghum grain under the program. Combined domestic and export sales of corn by CCC during October-December totaled about 312 million bushels compared

with only 38 million in the same period of 1960. Total sorghum grain sales of 65 million bushels also were much larger than a year earlier, when only about 3 million bushels were sold.

The total supply of feed grains and other concentrates for 1961-62 is now estimated at 256 million tons, about 5 million tons less than in 1960-61. The total disappearance of feed grains and other concentrates in 1961-62 may be nearly as large as the record disappearance in 1960-61. Continued wet weather in the Corn Belt has hampered harvesting of the corn crop and may result in more than average loss and waste in harvesting and feeding. Allowing for feed grain disappearance only slightly below last year's record of 146 million tons, the carryover of feed grains into 1962-63 would be about 5 percent less than record carryover at the beginning of the 1961-62 season.

Oilseeds, Fats and Oils

Supplies of food fats and oils in the 1961-62 marketing year, which began on October 1, 1961, are placed at a record 15.9 billion pounds (in terms of oil), about 14 percent higher than last year. Domestic disappearance is expected to increase along with population growth; exports of U. S. food fats should reach a new peak. But supplies are much larger than probable disappearance and an increase in carryover next October 1 is in prospect.

Currently, prospects for U. S. exports look bright. An increased movement of edible oils under the Food for Peace Program is occurring and overall demand for fats and oils in Western Europe and Japan is improving. Total exports of food fats in 1961-62 should set a new record of around 4.4 billion pounds, about 40 percent more than in 1960-61, with the rise mainly occurring in the second half of the marketing year. Most of this increase will be in cottonseed and soybean oils, which should account for about 42 percent of total exports or roughly 1.9 billion pounds.

Soybean prices for the months of October-December 1961 averaged \$2.26 per bushel, 4 cents below the support price and about 15 percent above last year. Prices probably will continue to average around the support rate and possibly advance only to reflect storage costs. The CCC is expected to take over a substantial amount of soybeans on June 1, 1962 and its resale price will be at least 16.5 cents per bushel over the \$2.30 loan rate during the summer. The CCC sales price will tend to become the market price at that time.

The 1961-62 supply of soybeans is estimated at 699 million bushels, 120 million bushels above last year. Crushings should total 425 million bushels and exports 170 million bushels, both categories showing increases over the 1960 totals of 402 and 130 million bushels, respectively. Carryover stocks should be near 65 million, compared with the small carryover of 6 million bushels last year.

: The next issue of the Demand and :
: Price Situation is scheduled for :
: release February 28, 1962. :

Lard output for 1961-62 is now forecast at 2,600 million pounds, 4 percent more than last year. Lard prices during October-December average 12 percent below the comparable period last year, reflecting the 8 percent increase in hog slaughter. Lard prices hit a seasonal low during October-December and probably will rise slightly over the rest of the marketing year. Production will decline seasonally and disappearance is expected to continue high.

Output of inedible tallow and greases during 1961-62 is currently forecast at a record 3.6 billion pounds, up slightly from 1960-61. Total exports for 1961 are expected to be in the vicinity of 1.8 billion pounds, up slightly from last year. Domestic disappearance should remain at its usual stable rate of recent years of around 1.8 billion pounds. Prospects are that prices for 1961-62 will be a little more stable than last year with a probable average level of 5-6 cents per pound, (prime, tanks, Chicago), compared with 6.3 cents per pound in 1960-61.

Price supports for 1962 oilseed crops were announced in early January as follows: Cottonseed, \$48 per ton for loans on farm-stored seed (basis grade, 100), down \$1 per ton from 1961; flaxseed, \$2.90 per bushel, up 10 cents; soybeans, \$2.25 per bushel, down 5 cents; and peanuts, \$221 per ton, the same as for 1961.

Fruit

Cold weather struck citrus areas of Florida and California in late December and early January, and Texas the second week of January. In Florida, the low temperatures caused some damage not only to citrus fruit but also to blooms and fruit of strawberries. Initial indications were that damaged citrus could be salvaged and that volume of strawberries would be reduced during January. In California, frost damage was light. But in Texas, the freeze damage was severe both to fruit and trees. Supplies of Texas citrus for fresh market for the remainder of the season will be negligible.

Despite the freeze damage, supplies of oranges, lemons and apples remaining to be marketed after mid-January 1962, were larger than a year earlier. However, grapefruit, pears, and grapes were smaller. Consumer demand for fruit is expected to continue good this winter, and export demand, especially for apples and pears, is expected to be better than in the first half of 1961.

Year-end cold-storage stocks of apples were moderately larger than on January 1, 1961, those of pears were a little smaller, and those of grapes were much smaller. Although grower prices for apples from the larger 1961 crop have increased somewhat since the seasonal low last October, they continue generally under the levels of a year earlier. Prices for pears also have increased since last fall and, in early January, Washington shipping-point prices for the D'Anjou averaged a little above a year earlier. On the principal auctions, prices for all varieties of grapes were much above comparable prices in 1961.

In early January, movement of citrus fruit from producing areas to fresh markets and processors was general. Although local prices for Florida oranges for both fresh use and frozen concentrate held fairly steady during December, in early January they averaged considerably below the relatively high prices of a year earlier. Fresh market orange prices in California, where production is down this year, tended to average above year-earlier levels. Florida grapefruit prices also held fairly steady during December and in early January averaged only moderately below a year earlier.

Early-season use of 1961-62 crop Florida oranges, grapefruit, and tangerines for both fresh market shipment and processing has been somewhat larger than comparable use of the 1960-61 crop. During December, weekly output of various processed items, especially frozen orange concentrate, was still increasing. By late December, the new packs were somewhat above those of a year earlier. Movement of most items from packers to the trade also was up. Stocks of most items in late December were above year-earlier levels, in some cases because of heavier carryover stocks.

Cold-storage stocks of frozen deciduous fruits and berries (excluding juices) were about 10 percent larger on January 1, 1962, than a year earlier. Among leading items, stocks of frozen cherries, peaches, and apples were up; those of strawberries were down. Total supplies of canned and dried fruits are expected to continue heavy this winter.

Commercial Vegetables

For Fresh Market.--Supplies of vegetables for fresh market are likely to be smaller this winter than last. Early January reports pointed to 3 percent less production than last winter but moderately more than the 1951-60 average. Among the individual items, January 1 reports indicated materially smaller production of snap beans, celery, green peppers and tomatoes than a year ago, and moderately to substantially less lettuce. Prospective production of carrots, sweet corn and spinach in early January were materially larger than last winter. Production of cabbage is expected to be about the same as last winter. However, subsequent reports indicate some freeze damage to winter vegetables in Florida and Texas during the first two weeks in January and production of some items may be further reduced. Demand for fresh vegetables this winter is expected to remain strong with consumers disposable income continuing at a high level. With prospects of smaller supplies of vegetables for winter sales both prices received by farmers and retail prices are expected to average somewhat above those of last winter.

Processed Vegetables.--Supplies of canned vegetables are slightly to moderately larger than a year ago and substantially above the recent 10-year average. Remaining supplies of canned peas are moderately smaller than a year ago, and pumpkin and squash slightly smaller. But supplies of both sweet corn and sauerkraut are materially above those of a year earlier. Lima beans, snap beans and cucumber pickles also appear to be in larger supply. Combined holdings of tomatoes and tomato products probably are close to those of a year ago. Supplies of frozen vegetables are record large. Except for green peas which are in moderate supply, holdings of all other major frozen items are heavy.

Demand for processed vegetables is strong. Prices for most items in the canned line are firm, and in most cases a little above those of a year earlier.

Potatoes and Sweetpotatoes

Supplies of potatoes are substantially larger this winter than last. Because of larger late summer and fall production, January 1 stocks of potatoes amounted to 121 million hundredweight, 105 million hundredweight above a year earlier. These heavy supplies are expected to keep **prices relatively low** both at the grower and retail levels. Indicated production of winter potatoes at 4.2 million hundredweight is down substantially from a year ago and 4 percent below the 1951-60 average.

Revised production estimates indicate that total production of sweet-potatoes in New Jersey, Virginia, North Carolina, Louisiana and Texas is also slightly smaller than a year earlier. These States together furnish the bulk of winter and spring supplies in Eastern markets. Prices to growers in December averaged \$4.97 per hundredweight, compared with \$4.93 a year earlier.

Dry Beans and Peas

Supplies of both white and colored classes of beans are larger than a year ago. Indications are that holdings of pea beans and pintos are particularly heavy. U. S. prices to growers in December averaged \$7.03 per hundredweight, 20 cents below those of a year earlier.

Supplies of dry peas are a little smaller than those of a year ago, but demand so far this season has been dull. Prices to growers in December averaged \$3.95 per hundredweight compared with \$4.16 a year earlier.

Cotton

The carryover of cotton on August 1, 1962, probably will be larger than the 7.2 million bales of a year earlier, due mainly to a drop in exports. The export decline reflects primarily a working down of stocks of cotton abroad.

Mill consumption of cotton during the 1961-62 season is estimated at about 8.8 million bales compared with 8.3 million bales last season. Indications of the increase are: Relatively low inventories of cotton broadwoven goods as indicated by the ratio of stocks to unfilled orders for cotton broadwoven goods, increases in prices for fabrics during recent months, increases in recent months of cotton textile exports, and a generally higher level of economic activity during the current season than a year earlier.

The 1961 crop, estimated about the same as the 14.3 million bales of last year, was produced on a slightly higher acreage than the 1960 crop. Ginnings from the 1961 crop totaled 12.6 million bales through December 13. This was about 88.2 percent of the estimated crop and is the lowest percentage of ginnings for this date since 1957.

The average 14 spot market price for Middling 1-inch cotton has been relatively steady during recent months. The December price was 33.56 cents per pound, compared to 33.59 cents per pound in November and 30.16 cents per pound in December of 1960. The average price received by farmers for upland cotton in December of the current season was 31.79 cents per pound, down from 33.11 cents per pound in November. This probably reflects a decline in quality of late season ginnings. The December 1961 price was 3.06 cents per pound higher than in December 1960.

On January 8, the Secretary of Agriculture announced that the minimum national average support price (average of the crop) for 1962-crop upland cotton will be 31.88 cents per pound, the same as last year. The support price for extra-long staple also was set at last year's level of 53.17 cents per pound. The Secretary has also announced that a 4-row limitation on "skip-row" planting will not apply to the 1962 crop of cotton. Each grower will be permitted to determine the pattern best suited to his operation, and only land actually planted to cotton will be counted as cotton land in determining compliance with acreage allotments and marketing quotas.

Stocks of cotton held by CCC as of December 29, 1961, were about 4.9 million bales. This compares with about 5.2 million bales a year earlier. At the start of the current season, CCC-held stocks were only about 1.5 million bales.

Tobacco

Marketings of the 1961 burley crop have been virtually completed. Prices at auctions for the season through mid-January averaged 66½ cents per pound--2.3 cents above last season's average and the highest on record. Deliveries for Government loans amounted to about 1½ percent of gross sales.

Carryover stocks plus producers' sales provide total burley supplies for the October 1961-September 1962 marketing year of about 1,700 million pounds, a little above 1960-61. A sizable increase in producers' sales more than offsets a decline in carryover. Government loan stocks of burley have been further reduced, and at the end of November 1961 amounted to 25½ million pounds (farm-sales weight equivalent), compared with a reported total of 89 million pounds 1 year earlier and 216 million 2 years earlier.

At auctions for the dark air-cured types 35 (One Sucker) and 36 (Green River), prices averaged 38.9 cents and 35.3 cents per pound, respectively, through mid-January, compared with 38.1 cents and 35.4 cents in the corresponding period of last season. The auction average for Virginia sun-cured (type 37) through mid-January was 40.2 cents, compared with 38.6 cents a year ago.

Auction prices for Virginia fire-cured averaged 39.7 cents through mid-January--about the same as a year ago. Auctions for Kentucky-Tennessee fire-cured, type 22, opened January 9, and for type 23, January 8. For sales through mid-January, prices of type 22 averaged 40.7 cents and of type 23, 40.2 cents; for comparable sales days a year earlier, prices averaged 42.6 cents and 41.2 cents, respectively.

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Total 1961-62 supplies of fire-cured tobacco are slightly less than for 1960-61; those of dark air-cured and sun-cured are also a little below the previous year. However, 1961-62 supplies of fire-cured and dark air-cured are ample in relation to prospective disappearance. These types are used domestically mainly in the manufacture of snuff and chewing tobacco.

Output of cigarettes in calendar 1961 rose to a record high of about 528 billion--4 percent above 1960. About 95 percent of total production was smoked by U. S. smokers. Cigarette output and consumption are expected to rise further this year; this should result in some increase in domestic use of flue-cured and burley--the principal cigarette types.

The 1961 consumption of cigars and cigarillos by U. S. smokers is estimated at about 7,150 million--nearly $1\frac{1}{2}$ percent more than in 1960 and the highest since 1923. Although indications are that combined removals from mainland factories in 1961 were slightly below 1960, cigar shipments to the United States from Puerto Rico rose sharply in 1961, and more than offset the decrease in removals from mainland factories.

Output of smoking tobacco for pipes and "roll-your-own" cigarettes approximated 75 million pounds-- $1\frac{1}{2}$ percent above 1960. In view of the favorable outlook for consumer incomes, no appreciable increase in smoking tobacco seems likely this year. Production of chewing tobacco and snuff in 1961 is estimated at near 65 million and 34 million pounds, respectively. Chewing tobacco output was about the same as in 1960 in contrast with a steady decline for many years, but snuff production was down about 2 percent from 1960. Chewing tobacco will likely resume its downtrend, but snuff output in 1962 may not vary much from last year's level.